en and "Linesistay and Capital Resources."

Missorically, substancially all of our revenue has been and from mice to entromers in the United States. Howe ner miles to descompte as the Connect system. From the contest additional totormational markets, which may require skrifferen management appropriate and fewerith resources. International point are mainless to a variety of sists.

Our quarterly and several operating smalls have strictly stretterming in the past. The variation in operating results will Muchy countries and may inventify. We believe that period in section communications of results of operations are not recover meaningful and should not be relied upon as inclimature of future performance. Our operating results may continue to fluctuate as a result of many factors, including the knock of the sales cocies for new or cultime commerci, the see, claring or duration of significant outcomer contracts, fluctuations in duration of service offerings, rate of adoption of window survicts by Public Safety Asswering Points, efforts superided to referets the introduction of cotton new products, our shifter to him, train and entain qualified personnel, increased commentation, changes in operating expenses, changes in our states, the firmulal performance of our conteners, changes in the connectable environment for our protess, and give Corton One materials for \$-1-1 OSS ----generally include a separate non-neurolog for for the design and treallment teles of the 9-1-1 OSS, powersion of the customer's that to our systems, hiring and training of passwood, and releas cases required to prepare the She promising of children date, and therefore, we easy recognize highlightenedly increased previous for a short period of time upon commencing services for a

Our expresse female are based in significant part on the expectations regarding future prompt, Our marries is difficult to formule because the market for our services is analying capidly and the length of our sales cycle, the size and timing of significant customer contracts and license test and the circing of recognitions of ever-recogning initial fees vary authors infly among customers. Accordingly, we may be unable to adjust specified to a thirdy reasoner to compensate for any unexpected shortfall in execute. Any significant shortfall exals therefore have a maximial adverse effect on our beatrons, Flametel condition and could of operations. We will have expen approximetely \$10 million in 2000 for research, de ral marketing to expand our product effecting. In artific bired additional employees by 1969, 1996 and 1997, and more to continue thirty additional employees during 2000. We also segres leading office space in Total to Documber 1999, from which we will perform some of our posteriors. We careful ment has get me can admit absorped brough on ages on investments in present and development will generate fature reservat. Fature to do so could have a sentral adverse effect on one business, flagmental conditions and sessing of apprehience.

Results of Operations Year Rectard Documenter St. 1999 Compared to Year Rectard Document St. 1996

Total Sevenue, Total revenue decreased 5%, from \$34.4 million to 1996 to \$32.6 million to 1999.

Data Management Services Revenue, Revenue from data errors services increased 5%, from \$30.6 matter to 1996 to \$32.1 million to 1993, supresending approximately \$9% and 19% of total sevenue, respectively. Data transgement services our lawrened due to an increme in the number of records profes presentations for LPC and CLEC materials caused by

materier growth and the signing of additional CLEC contracts. These instrumes were offens by meaning management for front a sub-less carrier in 1998 that reprint at the cost of 1994 and a Annual to non-mountain less related to wireless and

Character Service Property from relation services decreased 87%, from \$3.8 Horners and implementation services decreased 67%, from \$3.6 military in 1986 to \$486,000 in 1985, as we had on framer and implementation services contracts in amount in 1999 asket than

Costy and Experience
Cost of Electrofic Management Services. Cost of data reunregener
services consider primarity of bloor and costs of prevenuencies
with customers; systems and me infrastructure. Cost of the manager services increased | 7%, from \$20.7 million in 1996 to \$24.3 resiston to 1995, representing 60% and 75% of total reviews, respectively, and 68% and 75% of data management services reverse, respectively. The riothe increase is due to the pilot phase seed start of implementation of our contract wall the State of Term, byconical do microrose that to accommunists provid in our wholes and weeking apprentions, and additional headquark and related rose lectured to accommodate provid for both winding and wholes sendow. The manufact transmit property because the rational of the wholes and universal services has been slower than antirtowed, although we have but the inflamentum to service the mainlessed designed and the influencement control to bush the State of Texas construct ballons agreedment revenue was germaled, in addition, in 1998, we received manufact with fies from a wireless customer which expland at the und of 1998.

Coas of Licenses and Employmentine Services. Cost of Access: four for third party software and relaind expernion wryters decreased \$3%, from at houses and implementation private accesses as n, man \$836,000 in 1998 to \$139,000 in 1999, representing 2% and 0.4% of intel ecourse, respectively, and 22% and 28% of Measure and lossicmentation services greenus, respectively. The deline dermon account between no had no browns and inchronation services contracts in process during [999 advar shot warrancy contracts.

State and Marketine, Sales and marketing engages comin Make and comments, area one made any representa-productly of population related to minetic and commissions, craw ende physic and takes collected. Salas and marketing expenses terrored 29% from \$4.1 million to 1998 to \$5.3 million in 1999, representing \$2% and \$6% of total severace, respectively. The didlar increase was than to the midition of emphasism personnel, the creation of a screen affairs decomposed to interest and influence but primarily related to our wireless approximes and related liquid garrens, militiary of sales self for enhanced services and on learness in toideshow expenses.

General and Administrative General and administrative expenses consist printurily of expenses mined to our information systems, flavours, human resources, batal, mecuring and descript planning departments. General and adexperies decreased 1%, Sont \$5.0 million in 1998 to \$4.9 million in 1998 to \$4.9 why. We experienced decrease due to a electron in experient related to the realignature of our chief operating sufficer and chief fearncial effort. These decreases were restricted

- the addition of information includingly parament and related
- · increased least and accounting costs related to quarterly and served reporting respites ent in we became a publicly tracked

I terrement head stalling and other first referred to page beary and localitation become concernated the templementation of case

Other Jacobs (Economic Mat. Nat wife, Section (corrected) corneists primarily of interest experies from our nurrowings and lesses for paperal equipment, offset by interest account annual no new and and least many believes. Not other execute with \$294,000 to 1998 compared to set other income \$607,000 in 1989, representing (1)% and 2% of cotal morning for such periods, estructively. The deliar increase in nut other promise was pricearily due to a decreese in interest expense related to the repayment of terrain hank debt repayment of certain capital leases and an increase in interest partned from the investment of funds received from that total public offering in large and late of 1994.

Banefit for Income Taxes. Our income but benefit for constraing operations between 6 time \$379,000 in 1996 to 1462 000 to 1999 to 1998, we revenue a portion of our valuation alterance and in 1999 recorded an increme tax bornells released to our deferred tax assets as we believe that it is more likely than not that the use mosts will be restized.

Lass from Descritions of Discontinued Division, We recorded a charge of \$225,000 in 1999, age of the related Lix benefit, related to the floor chamous of unumber comments and the travelilless of contempts in the chitchess that accurred this division.

Low from Early Entloymblument of Debt, We recerted a charge of \$309,000 to 1998, not of the related tax benefit, related to the series off of the remaining elekt discount and other come emociated with the more cultimodelescent of our

Year Ended December 31, 1996 Company to Year Ended December 31, 1997

Total Revenue. Total revenue becomed 27%, from \$27.1 million to 1997 to \$34.4 million to 1998.

Data Measurest Services Review. Revenue from data and annotation becomes at 28%, forms \$24.0 and them in 1997 to 330,6 million in 1998, representing approxim 19% of soul sevenue to both particls. The increase mushed princetly from increme in:

- e annothic fee from educine commercial during an increase in the cursion of subscribers while warmpersont.
- * man-recurring and mountably flots from window customers. on the state and broke to some residence from whether ages people that there's quarter of 1997 and signed several new contracts in 1996;
- * non-recurring less from enhanced services; and
- son-recurring less from new wirding contagners that were armottioned to our systems.

License and Inchreatation Services. Revenue from Brench and landonestation services increased 25%, from \$3.1 million to 1997 to \$3.8 million to 1998, chie to increased work performed on contracts that began in 1997 and were completed or terminated that be 1996.

Costs and Experient
Cost of Date Management Services. Cost of date on pervices tracement 35%, from \$15.4 exilien in 1997 to \$20.7 million in 1996, representing 57% and 60% of cost revenue, respectively, and 64% and 68% of data management pervious receives, respectively. The deliter traverse was due to the addition of personnel and to beneat and expension of facilities to accommodate arrowsh to our wintigs and wireline operations.

Cost of Livering and Suplementation Services. Cost of Access and implementation ventors decreased 35%. Acces \$1.3 million to 1997 to \$836,000 to 1996, repose 5% and 2% of total revenue, respectively, and 42% and 22% of fictions and implementation services revenue, respectively. The decrees in cirilars and at a service of Horsess and water of anything party will say he will say be regulard and an increme in warranty revenue, both of which resultant flows the careculation of our contract with Hett Attender

Sales and Marketine, Sales and marketine excenses increased 7%, from \$3.9 million in 1997 to \$4.1 million in 1998, representing 14% and 12% of total resenue ctively. The increme was primarily due to selected and related costs of biring additional sales and marketing personnel during 1996 and public relations costs incurred to 1998. Yhmas intersees were partially offset by decrease in selet commissions, as well at the transfer of a vice president to a program and administrative position.

Congress and Administrative. Correct and educatelessed to statement increased 54%, from \$3.2 william in 1997 to \$5.0 million in 1990, representing 12% and 14% of total revenue, respectively. The dollar increase was due to:

- the manifestment of certain continuous resources. citing and relieved general and activities from expenses applicable to continuing operations:
- e adultation of commontal and committee academiest in the accounting, information systems, legal and bustons represents to support due growth;
- · Chi constant of a marketing vice provident to a general and advantablestive prohiber; and
- · Miningle contaiting com incurred in 1994.

The terrores were pertially either by a decrease to CONTRACTOR DESCRIPTIONS

Orther Separate, Met. Other expenses decreased 67%. from \$279,000 in 1997 to \$294,000 to 1996, respectfully 3% and 1% of total revenue, respectively. The dollar decrease was printedly due to the represent of certain bank debt and capital lease during 1998 and instruct carried from the investment of funds from our trittel public offering in June gred July of 1998.

Sevence The Breefile, The teamore ten benefit of \$379,000 to 1982 enculate of the viveral of a portion of our valuation effective on our defected tax appets, consumer to a scenario of relaction offerment of \$2.4 william to 1997. We did not record a state become the provision in 1996 primarily due to the unitization of state cut operating log carry forwards. In 1997, we recorded a state provision of \$172,000 or more hattleses was constanted in states where not consulted loss carryforwards were not available.

Last Bear Sale and Operations of Dismuttered Division. In 1997, we recorded a charge of \$2.9 million, and of the related too office, related to the sale of the rest works of our Premise Products Division.

Low Braze Kerty Entinguishment of Duke, We recorded a charge of \$909,000 to 1998, not of the related tox berefit. and so the write-off of the remaining debt discount and cities costs meadated with the early extinguistement of our been desc.

Liquisity and Capital Resources Since our inception we have funded our operations with cash provided by operations, supplemented by equity and debt financing and leases on capital equipment. As of December 31, 1999, we had \$21.5 million in each and cash equivalents and investments in marketable securities.

n June 1998, we completed an initial public offering of 2.100.000 shares of our common stack, which generated processes of \$22.5 million to us, not of the underwriter's discount and other offering cases. We used approximately \$4.4 million of the proceeds to repay our bank loans as \$150,000 for the rotated propayment perioty. In July 1998, the underwriters of our initial public offering exercised their ec-allotment option. Under the over-allotment option, we sold an additional 315,000 shares of our common stock. generating not proceeds of \$3.5 million.

In addition to the \$4.4 million of debt repetd with the proceeds of the Initial public offering, we repetil \$5.5 million and \$1.5 million of other bank debt and capital imm abligations charing 1996 and 1995, respectively.

Additionally, we used \$3.4 writion and \$2.5 million during 1998 and 1999, respectively, for the purchase of capital assets and software development. We envicious that our level of spending for capital expenditures in 1989 will continue during 2000, although we committy have no meterial constitutions for capital expanditume.

We have a line of credit with a bank equal to \$2.0 million. which is available to meet operating needs. The interest rate on accounts betrowed under the time of credit is equal to the bank's priory rate or the one, two or three months. Libor rate pass 2,25% our annount. The line of credit metures April 15, 2000 and a colleteralized by certain of our ersets. As of December 31, 1939, no becausings were outstanding on the line of credit.

We also have a \$2.0 million capital loave line with a bank which is available to meet capital acquisition rands that arise from mornial business operations. The interest rate are capital laused under the feast line is equal to the bank's cost of funds of the time of each lease. Separate Inse schedules are signed from time to time. Each lone schedule is collapsealized by the sense that are being tensed. Each lesse has its own termination date, typically 36 months. As of December 31, 1999, \$582,000 wm mutationding on the capital lease line.

We have associated plans to show research, development and marketing experienced approximately \$10 million to expend or product efferings. This will require approximately \$13 estition in cash due to the capital expenditure requirements. We may also traceous our capital tone line to Science this initiative. We believe that our remaining set. proceeds from our instal public offering, each presented from operations and loss fleuricing will be sufficient to fund our articipated working capital needs, research and development initiative, capital expeculitures and any potential future acquisitions through at least the next twelve months. In the every our plans or encomptions change or prove to be inaccurate, or if we consummate any unphased acquisiof hustreams or marts, we may be required to took additional sources of capital. Sources of additional capital may include public and private equity and dids. Strundings, sales of nonstructive acres and other firencing armingements.

Year 2000 Capability

Many currently tratalled computer and software products were carled to accept only two digit entries in the dete code field. These date code fields need to accept four slight entries to distinguish twenty-first correspy dates from twentieth century dates. We use off-the-shelf and custom software

developed intermelly and by third parties for our production information technology (TT) and non-TT systems. We programmed and seried our systems and installed all ungrades necessary to make them Your 2000 compilant. We spent dissut \$400,000 to make our systems Year 2000 compliant. As a result of our Year 2000 readiness afforts. our production systems, IT systems and non-IT systems measurably distinguished twenty-first contary dires from twentieth contary claim on January 1, 2020 without any system follows. I finewer, we are continuing to wonitor our scores thensuchness the wear 2000 to entere that any latent Your 2000 treaters that casy wife are arbitrarial prescriptly. Displies the fact that many companies' software and propuler systems are currently processing twenty first rentury claim correctly, these companies, including us, could experience latera Year 2000 problems.

Sustainent of Financial Accounting Standards No. 133 and No. 137

and No. 127
In Jame 1995, the Fine netal Accounting Seandants Board,
or FASB, insured Statement of Framental Accounting
Standards No. 133, "Accounting for Derivative Seatments
and Hedging Activities." SFAS 123 retails/we accounting and reporting standards for decisative financial instrum and hedging activities related to those americanses as well as piler indging activities. It requires an entity to recognise off derivatives as either assets or Unbillides in the statement of Brancial position and measures those instruments at file value. In June 1999, the FASB based Statement of Princetted Accounting Sundands No. 137, 'Accounting for Detretty Instruments and Harling Activities - Determit of the Effective Date of FASB Statement No. 133 - An nendment of FASB Statement No. 133, SFAS No. 137 delays the effection date of SFAS No. 133 to financial usery are caretime note or arriva rise, 1901 in Inhabitati quarters until francosia years hegiatoring afair June 15, 2000, We do not typically entar lane drangements that would fell under the corps of Secretarion (No. 133 and thus, management helieves that Sustement, No. 133 with not significantly affect our financial condition and reads o operations.

Statement of Paultice 98-9

In December 1996, the American Enstitute of Certified Public Accountment travel Substreet of Position 98-9, "Modification of SOP 97-2, Software Researce Recognition, With Respect to Certain Transactions." SOP 98-9 or certain paragraphs of Statement of Position 97-2, "Software remus Recognition, to require the application of a residual method of accounting for software revenue when certain conditions exist, SOF 98-9 also sevenue Sustament of Position 94-4, "Deferred of the Effective Date of a Provision of SQP 97-2" to extern the deferred of the applications of certain passages of SOP 97-2 provided by SOP 98-4 through fluid years beginning on or before Merch 15, 1999. All other provisions of SOP 98-9 are effective for immediation entered into in flucal years beginning after March 15, 1999. Earlier adoption is parentead; however, retrosoftes application is probabiled. We believe SOP 58-9 will not restartably impact. our Bermalel statements.

Staff Accessiting Bulletin No. 101 In December 1999, the Securities and Exchange Commission staff editased Staff Accounting Bulletin No. 101, "Revenue Recognisions" SAB 101 provides incorprete guidance on the recognition, presentation and disclosure of reverse in Brancisi statements. SAB 101 small he applied to (inancial statements no leter then the percent final querys of 2000. We are currently reviewing SAB 101 to delaration what tempers, if any, the adoption of SAS 101 will have an our financial position and results of operations.

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Notes to Financial Statements

(3) Organization, Routeress and Liquidity
SCC Communications Corp. (the "Company") at a Delaway
corporation. The Company is the Intelligence of the Juneau
corporation. The Company is the Intelligence certified in 3°-1-J
squareless support systems services as instantant leads eighting
carrians (FLECH). Compatitive local softwage certified (CLECS),
standar corrien and state and local governments in the United
Strick. The Company reunique the data which enables 3-1-1 calls
to be recited to the appropriate goalst: select specification and
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tocarion. In addition, the Company former to 3-1-1 offsteads
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spragagement and selects is income.

(2) Summary of Significant Accounting Policies
Operating Cycle
Asset and Satellites related to contracts we included by commit

Asset and flowlitten related to constructs are included in construct assets and flowlitten in the accompanying believes shocks stone they will be injudicated, in the narroad course of construct completion, delecting this way require return then arm year.

Property and Equipment

Depreciation of property and equipment is computed using the straight-line beritht owe extensive the little of three to the straight-line beritht described useful little of three to the years for computed backwise and equipment, accompanies. For formation and fitteetts and the life of the losse for leasthold begrooseness. The costs of expelse and entire restor to experiment white extensionally an extension of expelse and entire restor to experiment white extensional conducting section of the straight of the life of t

Settment Development Com-The Company experience this costs of directoring computer software west technological famility is established and capitalism all costs busined from the New until the influence is stable for general customer release. Technological Againstity for the Company's Operanter sufficient produces in humal upon the surface of the softwaresters of (a) a detailed program design from of high-risk development human on (b) completion of a profiting popular. Cours of purjus unbancommunic to existing products with a wise previous are controlled while souther professionance of unlessing proclasely in charged to aspectate or incurred. The combinatorium of inclandings of feedbillity and the incurred. The establish cagoing assessment of the recommittibility of capitalismi compariso antenne desejapamen eran ampaten corniderable foldganna by pranagrament with mapping to currents external factors, factoring but not itrained to sychological feasibility, anticipated fature grass revenue, automated economic life and changes in software and hardware technology.

Captionisms uninverse open are amoretand on a product-byproduct basis. The apresed representation is the present of the amount companied using (a) the resist that carried and appears of the amount companied using (a) the resist that carried and evilupated above grows remains for the product, or (b) the straight-filled method over the remaining estimated accounted life of the product which is typically they yeller, Ameritansian expussion related to explainfalled software comes opened approximately \$229,900, \$145,000 and \$107,000 for the power worked Decretion 21, 1996, \$396 and \$297, respectively, and is lact-atind for open of sign and productions of the power and thousand a handward for open of the transportance of proportions.

Revenue Recognition

The Company apports revision based on its 646 segments, data mayingsment applicae and Humates and Implementation services.

Revenue Irom data management servical germinity consists of a non-converting fee and mornisty recurring revenue. Revenue tracimised in data management services generally includes a proprecurring lite for the design and implementation of the 9-1-1 OSS, constraines of the company's data to the Company's species, buting and training of personnel, and other costs. required to propure for the processing of statement data. Nonmounting few my recognised on the percentage-of-completion matheil over the period required to perform the sails reto propose for the processing of motorner data. The Company contracts also proportally allow for a wordfully service for leased on the repulser of eather they would probe the property which is recognised as the parted in which the services are rendered. Data management personal property also may include referrate from enthursed products and services, which may tacked from requiring and/or monthly few which we separately stated in the contract and are recognised in the partial in Which the services are performed.

Revenue twisted to software licenses form and Implementation of the Company's 9-1-1 systems at continuor sites in recognized using the principage-of-completeless movived horsess the Company's authorses recipies algorithms resultification for sactisystems. Such constructs bedoes a lateral for the time of the Company's software and survive fact for the Installation and construction of the speace. The Company's costs to install an systems invitage disease lateral fact for the Installation and construction of the speace. The Company's costs to install an systems invitage disease lateral factly license from und ordinalization capacinal. Such decid also suplemed by sease of leasesses and lephylomospectrum corrivon.

In applying the personnings of completion method, remains and related cools are proposable based on the percentage rise fallow house incompared to data compared to test authential labor transf. Resonant excognitud in stocas of announce biflets is reflected to writifled revenue and areasants labeled in contents of ensence encognitud ma reflected as deferred contents revenue in the assemption plantone branch. The Content's recognitude with leasement and account of the contents to protect witces such forms are deferented in such

Revenue from Marries and implementation services includes cantamer Ripport revenue which is recipilated resolve, over the related carries period on a strongist-time shait. Cone missed so castedness support revenue see included in case of immenand emphases placing survivors in the examinarying missersents of operations.

Concentration of Credit Rick

Francial insprayments which patentially subject the Company or capturiting and ends that are privately that and cash equivalents, accounts receivable and involvements in high-paste requesty boards and commercial paper. The Company numericans are cash obstances for the Parce of lauric treasant deposits, receive method before an interference of an interference of the paper with original saturation in the stem access deposits. The Company is deposits and treashment are with financial branchations that companyers the deposits and treashment are with function the temperature of the paper of the paper

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receivable are concentrated by the toter constructions inclustry. The Company's principal customers (Nets 10) accounted for 11% and 30% of the Company's accounts retrievable as of Decomber 31, 1999 and 1998, expertisely. The Company has no standard francial interparates and reliable to the company has no standard francial interparates and reliable to the control of accounting last, such as fively exchange contracts, option consects or other feeting nutreety lackpring arrangements.

Remerch and Development

Reverch and development efforts consist of selector, supplies and other elected costs. These costs are expressed as installed and costerior approximately \$1.740,000, \$1,276,000 and \$738,000 for the year-conted December 31, 1999, 1998 and 1987, asspectively. These costs are included in case of data representations and licensia and implementation services in the accompanying statements of operations and do out totaled development costs included services and implementation and do out totaled development costs included as part of the efforts performed under Sections and implementation services constants.

Costs and Costs Engirehents

For purposes of reporting cash flows, cash and cash equivalence sectuals highly siquid investments with original materials of 90 days or less.

Line of Entirentee

The preparation of financial assumants or conforminy with generally accepted accounting principles requires management to make extrines and assumptions. These attentions and the approximation from the property assumes and substitutes, which were approximated assumes of source and fishibition as this date of the financial contingent of the property of the reported assumants of reviews and superiors sharing the reporting pantial, Agreed appulse could differ from these restrictions.

Fair Marchaet Valon of Financial Instrumentation:
Financial instruments reduce each and cash pipelinderes,
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and assuments excelled approximate fire results while because
of the short semanticy of them instruments. The fast value of
review or networld betted on convent order artistic fire daily
with studie posterities and acceptive, and at Damerham 31,
1959 and 1958, approximation for corrying value.

Investments in Marketable Securities

approprietation in overse-maintain assectations.
The Company is inventering, in companies debt securities are clearly in a shall see materity used one careful at the amendment court main. The inventering load the following volume at December 31, 1309 and 1998, respectively.

Lacouse Taxes

The Compuny follows Statement of Pinancial Accounting Statement Mo. 101 (SSAS 1027), which may also recipition of addeduction from the superior of addeduction from the superior statement to consequent special point addeduction from our superior statement to consequent special control of the superior statement to account of the superior of address to the superior special control statement of another and fluidities. SSAS 100 distorted from gradient of addressed to several new the expected fortune two offsets of these consequences are then evoluted, if december necessary, by a substation addressed for the amounts of any two breaths which, on a more likely then see below. See not specially of the residual filters of 9.

Stock Based Compensation Pierra

The Company Implies APB Opinion No. 25, "Accounting for Sanck Insuch to Employees," ("APB Opinion No. 25") in accounting for 8s stock opinion and other stock-based compensation plans for employees and structure. The Company has adopted the disclosurer provisions of Societies of Accounting Assaultina No. 123 ("SFAS 123"), "Accounting for Social-based No. 123 ("SFAS 123"), "Accounting for Social-based plans for mylegory and dissectors (Note 8).

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Nolding Galra	Os #	fair Value

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Impairment of Lane Lived Assets

The Corepary series is tory-lived assets for largestressor whenever events or changes in circumstances indicate that the carrying amount of the time, may not be reconstitle from the carrying amount of the time, may not be reconstitle from the quote undiscovered cash firms. Inspatiented factors are recorded for the maces, if may, of the coreying value over the last value of the large-lived sector.

Eastings Per Shere

The Company presents basic and discool carriage or loss pershare in accordance with Substrated of Financial According Sunctaints No. 128 "Enriching Per Share" (SSAS 128"), which establishes standards for computing and presenting basic and distance carriages so where Children the Accordance States for an efficiency of the Computing and presenting basic and distance carriages so where Children the Accordance States for the Dead per shart to determined by citylding not increve (tru) annihile to common stempholicus by the weighted wrong-currber of common stempholicus by the weighted wrong-currber of common stem, but could be stiffed as potentially temple common stock, but only if difficitive (i.e., a frue per three is more reducted). The presumy sense, pretend, undig the average price of the Commonly annexes sense; but they pretend, a applied to describe difficult for commonly annexes sense; for deep pertend, and applied to describe difficult form one pertend and senses. The 8-converted meeting is used for convertible sectorics. Possevielly distribute commons stock apulsons that were excluded from the calculation of Offsted incorrer per stems increase that effects is excluding the Offsted incorrer per stems increase their effects is excluding the totaled I DSS, 747, 51,000 and 238,017 to 1895.

A reconciliation of the numerous and determination used in computing per every net income from continuing operations to as follows:

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	1997	1958	1999
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Income flow) per communications was computed as fellows:

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Recently Issued Accounting Pronouncements Statement of Florestal Accounting Statements No. 133 and No. 137

In June 1996, the Firencial Accounting Standards Board ("FASE") but and Superment of Financial Accounting Standards No. 133, "Accounting for Derbutive Innoverses and Hadging Activities" ("SFAS No. 133"), SFAS No. 133 establishes accounting and equating Handards for derivative firmscial uptu med hodging accivision related to those insise as said as action landging includes. It sequents an invitry 40 recognitive of clarituatives as eigher marks or Habilides in the processions of firemental positions and managers these basis at fair maker, In June 1999, the FASE tenand Suprement of Pinenchil Accounting Standards No. 137, "Accounting for Derivative instruments and Hedging Activities - Deletral of the Effective Date of FASB Systemant No. 133 - An amend FASB Statement No. 135" ("SPAS No. 137"), SPAS No. 137 delays the effective chose of SFAS No. 133 to financial quarter and fluorial years taginating after June 15, 2000. The Contracts does not typically owner hate attriogramme that would full under the scape of Statement No. 133 and than. management betieves that Sommand No. 133 will not signationally affect its firmettal condition and results

Comment of Parlates \$6-3

In Decomber 1956, the American Joseware of Certified Paths. Accountants Issued Scientific of Pathsian 89-7 ("XOP 98-9"). "Meritakeston of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions." SOP 98-9 annuals receiving young plan of Scientific at Pathson 97-7 ("SOP 99-1-2"). "Software Revenue Recognition," to regain a Scientific of Pathson 97-7 ("SOP 97-2"). "Software Revenue Recognition," to regain the application of a statistical metabod of accountage for notiveness received at Pathson 98-8 ("SOP 98-9"), "Deleved of the Effective Dise of a Provision 95-07 98-2" or nested the deferred of the application of certain passages of SOP 97-2" provided by SOP 98-4 things freed years implicating on or before March 15, 1999. All other provisions of SOP 98-8 are affective for transactions except into 91 thick years implicating that March 15, 1999. Each an adoption is purposed.

represent the applications is prohibited. The Company between SQP 98-9 was not mecentally impact its fluorial statements.

SoulT Accessorating Bullectan No. 101
In Discreber 1939; the Securities and Exchange Commission and Freedom 1939; the Securities and Exchange Commission and Proposed Sign Accesseding Bullectin No. 101. "Revenue Recognition" ("SAB 101"), SAB 101 provides intergravity guidence on the recognition, presentation and decisions of measures in flustration accessed to the proposed to resume the flustration accessed to the flustration and the security of the security

(3) Discussionary Commentations On James 30, 1987, the Company and this not meets of its Prevalue Products Divisions. The sale mandred in a net loss of \$2,032,000. The net least of this divisions are included in the necessary of a point-from a loss forms apparations of differentiated divisions. Revenue from the division for the six worstless and June 30, 1937 was \$5,753,000. Not have form operations of this division contains \$225,000 and \$377,000 to 1939 and 1937, negocity-they, and are pre-created in the Company's Remarked attainations as loss from discountined operations of discountined divisions. The few forms discountined operations to \$930 resulted from fact channels of company that acquarted this this manufation of neutroners to the company that acquarted state divisions.

(4) Senekhirshore' Egyety (Derloid) Comassion Stock and Preferend Stock in March 1985, the Company's Board of Directors supported as fruites in common stocks to 30,000,000 shares and outstacks (15,000 onlywors' or stocksingstated preferend stock. In 1998 the Company observed of contaggrated preferend stock. In 1998 the Company observed of contaggrated phates of conserve stock.

Mandatant'y Redocrosoble Conventible Professed Stock In committee with the Company's initial public offering to june 1998, the Company's mandatenty redominate conventible preferred stock was constructed on a time-for-one basis to communication. Activity for 1997, 1998 and 1998 is no follows: Series Se

The activity related to the Hepsidetion or rederaption value of Series A through Series F Convertible Profused Stock for the partods

Putable Commen Stock Wicerant

In November 1997, the Corryany haveness \$1,000,000 from Bene One Copital Partners II. LLC (the "Lender") Poles B. In connection with the loan, the Indee morived is western to purchase 195,148 shares of the Company's common stock for \$100, in June 1990, the Lender control was wearest to purchase 195,148 shares of the Company's common stock for \$100, in June 1990, the Lender carection the swarms. Because of the part Section of the Variant, the Company recorded an armount open to the current that the swarms thank shall difference between the current market wales of the shares at the time the variant was the small This swarms the current was the state of the partner of the partners of the partners

under Discember 31, 1997, 1998 and 1999 is as follows:

Stack Subscriptions Remirable

In September 1997, In convention with the sile of the Computing's Premium Products Deviders, several ferrors employee of the Computey signed full recovers promitizing results to the Computey to exercise state? veryed stock systems. The results several internet of 6.97% per arount. The Compute without the date close was the setted as March 20, 1899 and in pursuing collection of the sinter that requires employe.

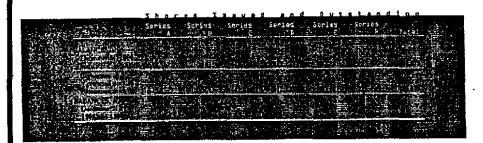
Stock Option Plan

The Company adopted the 1998 Stock Instantive Plant (1998 Part) offers June 23, 1995, which is a successor to the Company's 1990 Option Plan. As of Describer 31, 1999, u. speak of 3,251,647 abuses hose been exchanged for instantic

order the 1998 Plus, Including shwar authorised streke the 1990 Oyslow Plan. The shares reserved for humanos will include authorized the humanos will include a successful on the first weeking-sky of made calculate year, by 3% of the countries of department supple substanting on the last counting about the served of countries proceedings of the former-bandsy presenting calculate year. The shares repeture was represented by 205.350 therein under the presentation in 1995. The 1998 Plan allows the humanos of options to officiols, non-resplayer flowed interesting and consultantes, and consultantes, as provided for under the searms of the 1999 Plan.

Employee Stock Purchase Plan

On March 18. 1998, but Company adopted on strologue stack purchase plant (PSPP) under which shallow through appeal to the purchase plant (PSPP) under which shallow through payed fleckscators to parchase shares of the Company's common stock. The first distring princip of the ESPP stepan March 1, 1998 and cauded one Decrewiser 31, 1998. Thereafor, affecting princip will be successive at attention periods. As the end of work or fiveling printed, amountain considerated by complaying will be send to purchase stream of the Company's acrossom stock at a print repair to 1876 of the house of the change greate of the company's Benefit of Development and trapped of the change and the 2000 000 shares whether the ESPP and my class of Development which the third part of the company's thought of Development and part of payed on the part of the company's thought of Development on 200,000 shares whether the ESPP and my class. As March 1 of such year, are shown would do under the ESPP with the received to 200,000 shares the third part of the part of the payed to 1900 and 18,1675 shares under the ESPP in 1999 or 1990, respectively.



SEAS 123, "Accounting for Stock-Based Componention," defined a fair value famed meshod of accounting for employee stock potions or similar equity instruments. However, SFAS 123 allows the continued measurement of exemperation out for such plans order the ferriosic value based mathrd prescribed by APB Opinion No. 25, provided that pro forms disclauses are made of pet income or loss assuming the fair value based method of SFAS 123 and been applied. The Company has elected to account for its stock-based compensation plans unde APB 25; accordingly, for purposes of the peo forms disclosured presented below: the Company has compared the fair values of all options granted under the 1996 Plan, which succeeds the 1990 Oyelon Plan, during 1999, 1996 and 1997, using the Black-Scholes pricing model and the following weighted

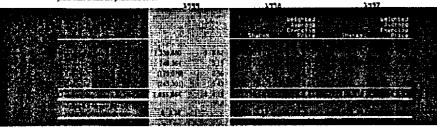


To extinue the of options for this valuation, it was assume options will be exercised upon becaming fully vested. All options are trittlelly maumed to vest. Consulative score recognized in pay forms out income or less with respect to options sins are forfeited price to vesting is adjusted as a reduction of proforms comparestion experts to the parted of forfetture. Because the Company's comments stock was not yet publicly traded, the repreciate reserved valuability was construct to be zero in 1997, in 1996 and 1999, the Company's convenien stack was not yet traded for an entended period of time, thus the expected wanted volatility was based on the stock prices of companies where operations are steriler to the Company's

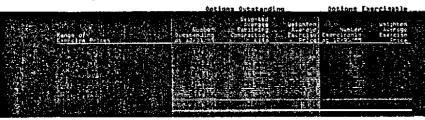
Accase valuating of the Company's common stank way very. Feb value computations are bighly assitive to the voletility factor assumed; the graphy the evantity, the higher the computed his value of posterior greated.

The total fair value of options pointed under the 1998 Option Play and the ESPF was computed to be appreciately \$2,630,000, \$1,406,000 and \$499,000 for the years maked December 31, 1999, 1998 and 1997, suspectively. These secures are amountaged randoly over the restring periods of the options or recognized at date of grant if no vesting period is required. Proforms such based compensation, set of the effect of forfeitures. max \$496,000, \$417,000 and \$232,000 for 1999, 1998 and 1997. respectively.

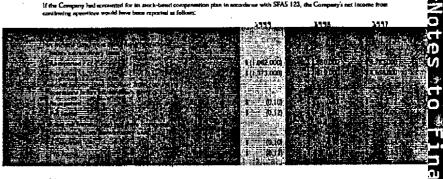
A summary of stock options under the 1996 Plan and the ESPP as of December 31, 1999, 1998 and 1997 and changes during the years then ended are presented below:



The following while summerture information about the options outstanding at December 31, 1999:



If the Company had accounted for its suck-benef compensation plan in accordance with SFAS 123, the Company's net income from continuing exercises would have been reported at follows:



(5) Loug-terns debt At December 31, 1999 and 1996, long-term slot consisted of the following



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The Company project to \$4,800,000 more payable or Base: One Capital Persons II, LLC on June 30, 1984 and incorred a compressed consistent sound to 4% of the autourn. totaling \$160,000. In addition, the Company wrote-off the ing dribt stemunt related to the note psychic of \$1,282,000. The propayment possity and write-off of the date discount totaling \$1,442,000 were recorded as an entraordisary learn, were of the scloud income tax benefit of \$533,000.

Debt sesturities of long-tures debt as of December 31, 1986, me m follows



(6) Income Taxes The Company has operated in three countries, the United Status, Canada anul Austrolia. For Income last return reporting purposes, the Company has approximately \$11,200,000 of net operating loss carrylonwests and approximately \$723,000 of the credit carryforwards evaluable to offert future federal taxable income or federal tax Habilities in the United States. The research and development could and not populate loss correformed expire at various dates through 2019.

The Tax Retorn Act of 1980 contains previsions which may limit the not operating loss and credit carryforwards evailable to be used to any given year upon the occurrence of curtain avents including significant changes in avenuality of the Company. In secondance with certain previsions of the Internal Revenue Code of 1986, as amended (the "Code"), a greater than 50% change in ownership of a company within a three-year period results to an associa firstetion on the Company's shility to utilize its not operating less carryforworth from the periods prior to the promobile change.

Deferred become tax spets and Nabilities at December 31, 1999 and 1998, were as follows: (7) Commissionents 25 1000 25 1000 25 1000 25 1000 25 1000 25 1000 25 1000 THE RESERVE OF STREET Married and of Columbia TITTOT! THE STATE OF THE PARTY OF THE P and the second of the second o i militari i ne en la primo montre esta di si il silato di si

lacambae 31.

The Company recorded an income say benefit of \$568,000 in 1989 as it before that it is more likely than not that the not quenting foot valed will be utilized against finure excession. As of December 31, 1998, the Company reversed \$1,589,000 of the valuation dismusce on that of its deferred an assets, as the Company believe # is more likely then not that such our benefits will be realized. Approximately \$533,000 of the lacture has beseft in 1996 was allocated to the entracethory for on early materials were of date.

Managerreng believes dur termining sux morts of \$450,000 as of December \$1, 1999 relate to tax credits that do not mitaly the sentanton criticals set forth in SEAS No. 109 and has recorded a valuation allowance for such RFR tax weeks.

becamber 31. with the state of the said CONTRACTOR SECTION E (63) 00042 124,000 /5 (b) ,0000 (46.70); (10 The Common terms to after and among faction and errisin equipment under operating bear agreements which

Hermati Neverther 2003. Rent sugment for the years eroical December 3L, 1999, 1998 and 1997 was approximately \$1,370,000, \$1,630,000 and \$718,000. respectively. Future within use free abilitations under these

(4) Personage Bernefft Plent

The Company has a 40100 plan under which stigible amphyses may defer up to 15% of their compen The Company may make matching contributions and districtionary contributions if exceeded by the Board of Directors, For 1998 and 1997, no employer matching or effects the environment of the second However, to February 1999, the Communica Board of Directors approved a metalling contribution for employee, which was effective April 1, 1999. The Company metales 50% of employer constitutions up to 6% of the employees miles, real to exceed \$1,000 to 1995 and 2000, respectively Matching completions will vot 35%, 70% and 100% for One, here and three years of survice, respective

(9) Related Party Transaction The Company provides date symmetric and century consisting analogs to may prove adoptionally group analysis pri which a stackholder of the Company has no own between A representative of the stackbacker was a see the Company's Board of Directors week December 2, 1995. The Comment section set protects of approximate \$6.979,000, IE.735,000 and \$6,959,000 to 1898, 1998 and 1997, respectively, partition to these agreements. Acres tion to the studyletidar under the capital imm agreements put of employed the se the Company for services on ك 🗷 المحملية December 31, 1999 and 1996 may \$3,252,000 and \$3.962,000, respectively. The frame terms traveled many ranging from 7,75% to 9,50%, require monthly serve and have expiration discs varying durough October 2002.

(10) Reportable Segrenate and Major Customers Removable Segments The Company has two reportable segments, date manufacturery services and literary, and transfermentation services. The Computery measures as reportable supression based on reviews for such agreems and costs directly related to tech segment. Cornel and adjubitmente, sales and

merketing and other compare not measured by sourcest Data management services include the provisioning of an perturbation solution for 9-1-1 data management to containers, limbuffing ILECs, CLECs, who has conters and state and long governments. Literate and propingentalities navious include the licensing, cumumization and inscription of the Company's \$-1-1 enterpressonations, Substitutional of the Company's pulliaries are to the United States.

These segments are represent represently because the reduce of and restucces sand for each warmens to versions. Date THE PART PART enumperature services technics ongoing data men manufactor of manage and other archaeous amount finder data aranagement services, the customer's data is transferred se the Company's present and the Company evers the systems used to manage the data. Under licenses and implementation services, the customer performs data management and systems manifesting activities. The customer also owns the hordware. Economy a technical and maintains the data on his internal occurre under able source.

Revenue and costs are appropriate in the States Operations for the two reportable segments. The Company does not started in anoth between the partners in it is impractical to do m.

Major Concussors

Manuscript Street contains managers remarked 1094 and contain program for the properties was a follows: 27%, 27% and 25% to 1999; 27%. 25% and 21% to 1998 and 30%. 29% and 22% in 1997. Contracts with parties of these customers have a market duration and remide for final married that have been recovered in the relation of managed and uses the services selected by the customer. All of these customers are in the Company's data and write areas.

(L1) Legal Matters

The Company is unique: to various chains and hust disputes in the ordinary course of business. While the come of stone macros comes he predicted with certainty. management angletonius that the ultimate extense of the house will not been a reserval boose; on the flourist statements. Federal and majo capalistican governing 9-1-1 service provisioning have typically applied to local universe resister providers. The Company pions to provide \$-1-4 protes dispuly to state and local governments rather times local exchange carriers in certain areas, Since this is the first time that such weather have been provided in this meaner, the regulations are being challenged and classful for the first time. The Company believes that the services is provides are within the stage of the existing regulations and that any challenges to the regulations will be decided to the Company Local Hammer, if the regulations are challenged and on our decided in the Company's firest, the Company may be problemal Same expanding the corrects to correct eventure.

Report of Independent Public Accounts nts

To the Board of Directors and Stockholders of SCC Communications Corp.:

We have audited the accompanying before where at SCC Communications Corp. (a Determin carporation) as of Desember 31, 1999 and 1998, and the related statement of quantizate, statistically equity (effect) and cash flavor for each of the three pairs in the period and cash flavor for more formatical statements are the sequentiality of the Company's recompanying the macrostical statements based on an audit.

We conducted our matter in accordance with auditing standards generally accepted in the United Stotes. These standards sequine that we plan and perform the societ to obtain reasonable assumence about solution in the Tenential standards and effective the forested and performance. An audit includes assuming, we also take, evidence supporting the actuated and disclosure in the Reservice extraversity. An audit also includes assembling the accounting principles used and algorithms of extraversity to disclosure in the Reservice extraversity and algorithms described by menagement, as well as evoluting the quantil instances processation. We believe that our suits provide a reasonable bath for our spinior.

In our opinion, the Branches resources referred to shore present fairly, in all wateriel respects, the Branches position of SCC Commencestrose Corp., at of December 31, 1999 and 1998, and the results of to operations and its car's flows for such of the three years to the position field of the Committee 31, 1999, in complemely with accurately gracingles for principles generally accepted with Putwel Science.

arthur andura LLP

ARTHUR ANDERSEN LLP

Denver, Ciplorado James y 21. 2000

Market for the Registrant's Common Equity and Related Stockholder Matters

Our consumms start to traced on the Nacion National Market under the probet SCCX." We commenced our total gubic offering of the constron stock on June 24, 1996 at a price of \$12 per share. Price to such dair, there was not public market for the common stack. The following solds sets forth the high and low hid prices for the common stock for the persons settled. As reported on the National Market.

ATCH LOY

As of Frieday 29, 2000, there were apprendentally 173 holders of record.

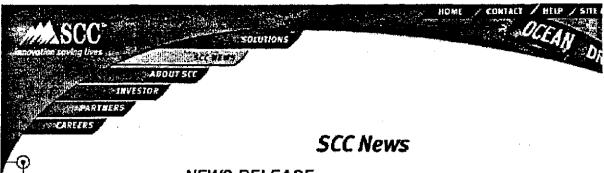
We have not paid any cash dividends on our capital stock stone our inception, and do not expect to pay cash dividends on our capital stock stone our inception, and do not expect a payment of payment of privilends without the incept point content payment of finite allocations as a facility of any will be at the discretion of our inceptions of the discretion of our inceptions of the discretion of our inception of the discretion of the discretion

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- 1. National Emergency Number Association
- 2. SCC Communications Corp.
- 3. Strategia Group as quoted in 1999 Phore Face. Unline States Telecom Association
- 4. Cellular Telephone Institute Association
- 5. Cellular Telephone Irutituse Association
- 6. Strategie Croup

#200 SCC Communication Cosp. All rights removed TelCorrect, Emergency Warring and Benaumer, RME, LMP2009, 9-1-1Cercent, 9-1-1 SetropNer, 9-1-1 Oppositions System, and 9-1-1 OSS on service marks of SCC Consequence Cosp. The SCC lags in a manipulated SCC Consequence Cosp.



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WINfirst Selects SCC Communications to Provide 9-1-1 Service to Customers

FOR IMMEDIATE RELEASE

Boulder, Colo. (December 7, 2000)-SCC Communications (Nasdaq: SCCX), the world's leading provider of 9-1-1 data management services, announced today that WINfirst has selected SCC's TelConnectSM package to provide enhanced 9-1-1 (E9-1-1) service to WINfirst residential customers. The TelConnect system will allow WINfirst customers access to immediate and reliable 9-1-1 service.

Based in Denver, WiNfirst is building an entirely new fiber-to-the-home (FTTH) residential network that will provide high bandwidth for voice, video and data applications. WiNfirst has already received regulatory approval to build networks in Sacramento and San Diego, California, Austin, Dallas, Houston and San Antonio, Texas; and has received a temporary permit pending full approval in Portland, Oregon. Combined, WiNfirst will provide its service to more than 3.2 million homes. WINfirst is pursuing regulatory approval in San Francisco, Oakland, California, Los Angeles, Seattle, Phoenix and Nevada.

WINfirst, which signed a three-year contract with SCC, will now benefit from the leading-edge TelConnect suite of 9-1-1 data management services. TelConnect enables integrated communications providers (ICPs) and competitive local exchange carriers (CLECs) to cost-effectively outsource the complex job of meeting 9-1-1 data management requirements.

"WINfirst is committed to providing its customers with the highest quality serviceand that includes 9-1-1 emergency service. This is an essential service and we wanted to work with the country's leading and most experienced provider of 9-1-1 data management services," said Frank Casazza, WINfirst president and chief operating officer. "We realize the critical importance of 9-1-1 service. It can be a matter of life and death-which is why we selected SCC to provide our customers with the most accurate and reliable access to 9-1-1 emergency service available."

"TelConnect will handle all of WiNfirst's data validation and formatting, error analysis and resolution and delivery of the data to the appropriate public safety agencies," said Mark Scott, vice president and general manager of SCC's CLEC business unit. "And white our experts manage these time-consuming but critical tasks, WINfirst can focus on expanding its markets and services."

About SCC

SCC Communications Corp. (Nasdaq: SCCX) is the leading provider of 9-1-1 data management services to incumbent local exchange carriers (ILECs), competitive local exchange carriers (CLECs), integrated communications providers (ICPs) and wireless carriers in the United States. SCC manages the data that allows the routing and delivery of 9-1-1 calls to the appropriate answering point along with accurate information about the caller's location. SCC provides 9-1-1 services to 20 leading wireless telecommunications carriers and 38 leading wireline telecommunications carriers. SCC currently manages the records for approximately 99.4 million wireline and wireless telephone subscribers, including 4.8 million CLEC subscribers, and more than 2.5 million revenue-generating wireless subscribers. The company also develops innovative, value-added information technology systems and software products for the location-based services market. To receive SCC press releases and company updates via e-mail, please register at the company's Web site: http://www.scc911.com.

About WiNfirst

WiNfirst is building a new fiber-to-the-home residential network using fiber-optic technology in conjunction with Ethernet networking standards to break the last-mile bottleneck. WiNfirst will provide the highest quality of customer service and choice, the convenience of one-stop shopping for internet, cable TV and telephone service and the value of a bundled-service offering. For more information about WiNfirst, visit http://www.winfirst.com.

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Statement of Financial Accounting Standards No. 123 ("SFAS 123")

SPA'S 123. "Accounting for Seart-Binert Compressation." deflered a fet value funnil method of accounting for analyzing stock copylines or privile growing search compression. Heavening, SPAS 123 allows the continued misconveneral of correposation out for parts plans using the testing when the continued misconveneral of correposation out for APB Opinion No. 25, provided that pro forms disclosures are made of net income or loss assessming the fair value totaled meeting of SPAS 123 had been applied. The Company has elected to accepted by its statist-based comparation plans such as APB 25; accordingly, for purposes of this pan forms disclosures presented beliefs the Company in compared of a fair values of all opinions general under the 1980 Plant which accorded the 1990 Option Plan. Auring 1999, 1998 and 1997, using the Back Schooles pricing model and the following weighted severage assemptations.



To achieve lives of options for the vehiculars, it was anothed up in result in manufacid upon bocaming fully vetted. All options an initially assumed to vest Consulating fully vetted. All options are initially assumed to vest Consulating companisation consistency and the term for fathering and the term for the section of profession companisation expresses in the period of forfeiture. Because the Company's common stock was not per publicly traded, the expected man left pointflip was secured to be zero in 1997, in 1995, the Company's common stock was not per order on per ordered or part of other period operation of the period operation where velocities are desirable to the Commanus's.

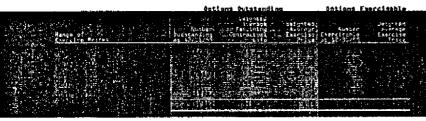
Accusi voletility of the Company's common stock may vary. Fair value computations are highly sensitive to the voletility factor assessment; the granter the voletility, the higher the companied fair value of centross grantes.

The total fair volue of reprines general confer the 1998 Option Pan and the ESPF our computed to be appreciationerly ESE/ESIGOO, \$14,000,000 and \$495,000 for the pure content December 31, 1998, 1998 and 1997, respectively. These amount are associated making own the resting periods of the options or recognized or late of giract if the resting period in required, the Brans social based (organization, not of the office) of footbures, was \$105,000, \$417,000 and \$232,000 for \$999, 1998 and 1997, respectively.

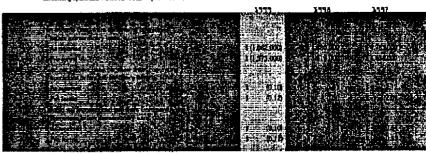
A numerousy of stock rightens under the 1996 Plan and the ESPP as of December 31, 1999, 1998 and 1997 and changes during the years than ended are presented below:



The following table surprinciples information about the options extended in December 31, 1999:



If the Company had accounted for its stock-based companyation plan to accordance with SRAS 123, the Company's not income from continuing agreed how would have been reported at follows:



(5) Laugetreet debt At Decreber 31, 1999 and 1998, long-term debt consisted of the following



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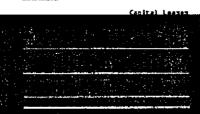
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The Company proposed its \$4,000,000 mote payable to Bare Chen Capital Partners II, LLC on Jura 30, 1986 and Insured a propagate presents resistant equal to 4 ft of the amount, classing \$10,0000. In addition, the Company review off the remaining drift of insured resistant in the rate payable of \$1.282,000. The propagators providy and write-off of the delet discussed bendung \$1,462,2000 were recorded as an astronomient provide them, no set the soluted insurant to bendung \$2,500,000.

Dobt wastertiles of long-terms dobt as of Discounts 31, 1986, and as follows:



(6) Income Taxes
The Corrupory has squireted in three councries, the United
Stees, Canade and Australia. For income ter return
exporting purposes, the Company has approximately
\$11.200,000 of nes operating less curryforwards and
approximately \$723,000 of tax credit curryforwards and
its offset feature federal transite incomes or festing that
find the in the United Stees. The reservice and

development condit and set operating loss corrylarwants expire at various decay through 2019.

The Tax Reform Act of 1980 contains provisions which may trult the rest operating loss and crackle carrylytewards available in the small is may given year agons the consumers of crackes sweats including algorithment changes in ownership of the Company. In accordance with certain previous of the Internal Revenue Code of 1986, as ownereded (by Code), a greater than 50% change in ownership of a Code), a greater than 50% change in ownership of a Code, and the contained on the Company's shelling to understand the manual intellection on the Company's shelling to undied its nat ownership from carrylanearch from tax particular loss not be operating from carrylanearch from tax particular to the operating form carrylanearch from tax particular to the

Deferred income tax mach and leadstitute at December 31, 1999 and 1996, were an follows:

Lace and Derivative and the complex of the complex

(7) Commitmenta The Company learns to office and remarch facilities and certains originated under operating bears agreements which negate through Numerical 2013. Rest superme for the years winded December 31, 1899, 1898 and 1897 was approximately \$1,370,000, \$1,930,000 and \$718,000, respectively, feature withsteam least obligations under these approximates are in follows:

The Company recorded an income Lts benefit of \$560,000 in 1939 as it believes that it is store likely than not that the not successing loss generated will be stillned against frame normal. As of December 31, 1936, the Company amount 31, 283,000 of the valuation allocament on part of its deformed to sents, as the Company believes it is seene likely true not that nach tax hamefits will be realisted. Approximately \$53,000 of the income can benefit in 1909 was allocated to the extraordiscay bea on early entagesterores of date.

Management between the serminating has based of \$450,000 as of December 31, 1999 point to be credite that do not satisfy the multisation criteria are local to SFAS No. 109 and has recorded a valuation allowance for such not be meets.

The second secon

(8) Prophyse Benefit Plan The Company has a 401(a) plan under which eligible

are company may will up an order white register suspicious temployees they defer up to 1976 of their companisation. The Company may make matching contributions and discretionary power/bodiens of approved by the Stand, of Director. For 1936 and 1997, no engologic metricing or discretionary metricing or discretionary metricing or discretionary metricing or discretionary metricing or metricing or discretionary metricing metricing or discretionary metricing or metricing metricing or discretionary metricing metricing metricing or metricing or metricing metricing or metricing metricing or metricing or

(9) Related Party Transmettlen;
The Company pretends dust rearrangement and out-time accounting pretends to see have equipment form entitle in which a stockholder of live Company has no sovereither stockholder of live Company has no sovereither stockholder and of Direction until Direction; A. 1999.
The Company's Start of Direction until Direction; 2, 1999.
The Company nectived set previously of 1999, 1999, 1999, 1999, 1999, 1999, 1999, 1999, 1997, respectively, pursuant to these agreements. Amounts due to the sockholder under the capital lains agreement and of measures due to the Company for anticar conduction of Directions 1, 1999 and 1999 even 3, 2,62,000 and 53,362,000, respectively). The issues have successed anything proprietors.

(10) Reportable Segments and Major Castomers Reportable Segments The Company in two reportable regresses, data management services and torsees and implementation sortices. The Company measures its reportable agranted to such agrants, data this impression and casts disoutly soluted to such agrants. General and advirtuscuts, adm and

and have experience times varying dynaugh Occober 2002.

marketing and other costs are not measured by segment. Data management harviotal fundated the provisioning of an exposuring solutions for 3-1-1 data management to customers, including IEECs, CLEECs, whreless corriers and state and local power-ments. Licenses and Implementation purvious include the licensing, customization and instillation of the Company's 8-1-1 statement solutions. Substantibly all of the Company's substantial are the site United Sales.

These segments are mentaged sorpre-halpy framewor the natural of stud resources used for much improved to survivant. Onto source, court for much improved to survivant. Onto source, court of the first original filter measurement and source, and the survivant territoris, the continents is due to surrespond to the Company's systems wand to be continents in due to surrespond to the patients studied to extende the due, Under Horsese and implementation sorbitate, the customers performs data materiagement and systems remaining methods. The constitute date owners the foreframe, licenses the Company's software and continuation the data on the foreframe.

Revenue and cents are regregated in the Statement of Operations for the two super-table arguments. The Company does not supergote among between the organizate as at is lenguaged to do so.

Malor Contamora

Revisive from certain euronners unuseded 10% of initial revenue for the negociate year is follows; 27%, 27% and 25% in 192; 27%, 27% and 27% in 192; 27%, 27% and 27% in 192. The contracts with certain of river customers have a ten-pieer duration and provide for fixed manifold, for head upon the transless of negociate for fixed manifold for head upon the proview injected by the customers. All of those outstoners are in the Company's data warmagnetic travels.

(11) Legal Matters

The Company is subject to various claims and business disputes in the ordinary operar of husbarns. While the successe of these matters cannot be proficted with consincy. ent waterpases that the editories customes of the leaves will see have a majorial impact on the financial statements. Federal and sure regulations governing 9-1-1 service provinceing have typically applied to local extreme services providers. The Common plans to provide \$-1-1 wereless directly to make and local governments within them local exchange corriors in contain areas. Since this is the first time that such services have been provided to this measure, the regulations are heing challenged and clarified for the first time. The Company believes that the services it provides are within the segment the soluting regulations and that any challenges to the segulations will be decided to the Conspary's favor. However, if the regulations are shallenged and are not decided in the Company's lives, the Company way be probleted form expending its services to certain marks

Report of Independent Public Accounts nts

To the Board of Directors and Stockholders of SCC Communications Corp.:

We have sudded the accompanying balance abuses of SCC Communications Copp. In Delinium corporation in a Occasion 31, 1999 and 1998, and the relatest absonances of operations, excellentators, which plants and cash flows for each of the three years to the period ended December 31, 1999. These financial photography within required difficulties of the Copping's management. Our responsibility is no represent an option on these financial assessment hand on our matter.

We conducted our such; to accordance with sudding standards generally accepted in the United Status. These standards require that we plan and pedient the suddi to obtain teasonable saturates about whether the financial statements are feel of smallers assume that the standard pedient of the standards are distincted to the standards and distincted to the standards are distincted to the standards are distincted to the standards and distincted to the standards are distincted to the standards are distincted to the standards are exclusively principles used and significant melanics made by management, as well as endusting the overall financial statement processorion. We believe that our audits provide a restaurable basis for our agricult.

In our appealant, the financial exteriorate referred in done general fathy, in all methods respects, the floweried position of SCC.

Communications Composition of SCC, and December 31, 1999 and 1998, and the results of its operators and its cut-fitteen far and of the three years in the portiod unded Desember 31, 1999, in condensely with occupient principles generally accepted in the Latitud Science.

arthur andum LLP

ARTHUR ANDERSEN LLI

Drawe, Colorado

January 21, 2000

Market for the Registrant's Common Equity and Related Stockholder Matters

Our currenters mock to traded on the Needest Needest Methods Mertex under the pyrobol "SCCK." We compressed our butted public offering at the consenses spect on June 24, 1998 at a price of \$12 per share. Prior to such date, there was no public method for the convenient and it. The following while sets forth the high and love hid prices for the convenient speck for the periods indicated, as separated on the Needey Neederal Mertex.



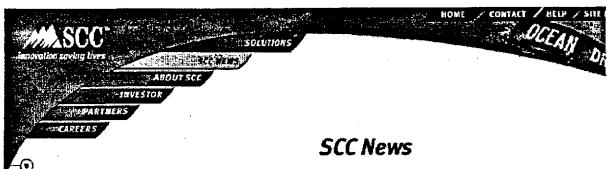
As of February 29, 2000, these were approximately LT3 holders of record.

We have not paid any cash dividends on our capital such since our trouption, and do not expect to pay cash dividends on our casesson stock in the first interestable feature. Custom coverages consisted in our less of cashide agreement manner the payment of feature dividends without the final in privar parison. Figuration of feature dividends, by any, will be not the discretion of the odd of Directors, staject to the restrictions discussed allows, other letting twis account visions facture, lacksuling our fluencial condition, equesting reads, each most and capital condition, equesting

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- 1. National Emergency Marshur Association
- 2. SCC Communications Corp.
- 3. Screengle Corrup as quotant in 1999 Please Facts. Unland States Telecont Association.
- 4. Cellular Telephone Institute Association
- 5. Cellular Telephone Imazinate Association
- 6. Strategis Croup

60008 SCC Communications Corp. All rights represed. SelCommon. Entryprocy Winning and Securation. EWE, LNPS000. 9-1-1 Corporal. 9-1-1 Computer Support Systems and 8-1-4 COS are arrived and SCC Communications Corp. The SCC lags in a relative of SCC Computer Systems.



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